EXHIBIT I

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended December 31, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from ___________ to _____________.

Commission File Number 000-23357

INOTIV, INC.

(Exact name of the registrant as specified in its charter)

INDIANA (State or other jurisdiction of incorporation or organization)	35-1345024 (I.R.S. Employer Identification No.)
2701 KENT AVENUE WEST LAFAYETTE, INDIANA (Address of principal executive offices)	47906 (Zip code)

(765) 463-4527
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares	NOTV	NASDAQ Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller Reporting Company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of February 11, 2022, 25,459,361 of the registrant's common shares were outstanding.

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INOTIV, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands except share amounts, unless otherwise indicated)
(Unaudited)

1. DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

Inotiv, Inc. and its subsidiaries and a variable interest entity ("VIE") ("We," "Our," "Us," the "Company," and "Inotiv") comprise a leading contract research organization specializing in nonclinical and analytical drug discovery and development services. The Company also manufactures scientific instruments for life sciences research, which it sells with related software for use by pharmaceutical companies, universities, government research centers and medical research institutions.

On November 5, 2021, the Company completed the acquisition of Envigo RMS Holding Corp. ("Envigo acquisition") by merger of a wholly owned subsidiary of the Company with and into Envigo.

As a result of the Envigo transaction, the Company's business now includes breeding, importing and selling research-quality animal models for use in laboratory tests, manufacturing and distributing standard and custom diets, distributing bedding and enrichment products, and providing other services associated with these products. With over 130 different species and strains, the Company is a global leader in the production and sale of some of the most widely used rodent research model strains, among other species. The Company maintains production and distribution facilities in the United States ("U.S."), United Kingdom ("U.K."), mainland Europe, and Israel.

Basis of Presentation

The Company has prepared the accompanying unaudited interim condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles ("GAAP"), and therefore should be read in conjunction with the Company's audited consolidated financial statements, and the notes thereto, included in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2021. In the opinion of management, the condensed consolidated financial statements for the three months ended December 31, 2021 and 2020 include all adjustments which are necessary for a fair presentation of the results of the interim periods and of the Company's financial position at December 31, 2021. The results of operations for the three months ended December 31, 2021 may not be indicative of the results for the fiscal year ending September 30, 2022.

The acquisition of Envigo was transformational to the Company's underlying business. As a result, certain reclassifications have been made to prior periods in the unaudited condensed consolidated financial statements and accompanying notes to conform with current presentation, which more closely reflects management's perspective of the business as it currently exists.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires the Company to make estimates and judgements that may affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosures of contingent assets and liabilities. These include, but are not limited to, management estimates in the calculation and timing of revenue recognition, pension liabilities, deferred tax assets and liabilities and the related valuation allowance. Although estimates are based upon management's best estimate using historical experience, current events, and actions, actual results could differ from those estimates. Changes in estimates are reflected in reported results in the period in which they become known.

Consolidation

The accompanying condensed consolidated financial statements are unaudited and have been prepared by the Company, including all subsidiaries and a VIE it consolidates in accordance with GAAP. The Company consolidates a VIE, as a result of the Envigo acquisition. The VIE does not have a material impact to net assets or net income.

The Company accounts for noncontrolling interests in accordance with Accounting Standard Codification ("ASC") 810, "Consolidation" ("ASC 810"). ASC 810 requires companies with noncontrolling interests to disclose such interests as a portion of equity but separate from the Parent's equity. The noncontrolling interests' portion of net income (loss) is presented on the condensed consolidated statement of operations.

consequential and incidental losses and damages for the alleged violations. The PAGA complaint seeks civil penalties pursuant to the California Labor Code and attorney's fees. The Company intends to vigorously defend these claims.

The Company is party to certain other legal actions arising out of the normal course of its business. In management's opinion, none of these actions will have a material effect on the Company's operations, financial condition or liquidity. No form of proceedings has been brought, instigated or is known to be contemplated against the Company by any government agency.

Government Investigations

During the period from July through December 2021, one of Envigo's U.S. facilities was inspected on several occasions by the U.S. Department of Agriculture ("USDA"). USDA issued inspection reports with findings of non-compliance with certain USDA laws and regulations. Envigo formally appealed certain of the findings. USDA has indicated it intends to conduct a formal investigation. The inspections and/or the investigation could lead to enforcement action resulting in penalties that could include a temporary restraining order or injunction, civil and/or criminal penalties, and/or license suspension or revocation. As of December 31, 2021, no investigation has been initiated.

On June 15, 2021, Envigo Global Services, Inc., a subsidiary of the Company acquired in the Envigo acquisition, was served with a grand jury subpoena issued by the Department of Justice in Miami, Florida requiring the production of documents related to the importation into the United States of live non-human primates originating from or transiting through China, Cambodia and/or Vietnam from April 1, 2014 through March 28, 2019. The Company is cooperating with the Department of Justice.

15. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Pension	Cumulative translation adjustment	Total
Balance as of September 30, 2021	$ —	$ —	$ —
Amortization of actuarial loss	110	—	110
Cumulative translation adjustment	—	(247)	(247)
Balance as of December 31, 2021	$ 110	$ (247)	$ (137)

16. SUBSEQUENT EVENTS

On January 10, 2022, Inotiv, Inc. and Inotiv Morrisville, LLC, a wholly owned subsidiary of the Company (the "ILS Purchaser"), entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") with Integrated Laboratory Systems Holdings, LLC, a Delaware limited liability company (the "Seller"), and Integrated Laboratory Systems, LLC, a North Carolina limited liability company ("ILS") providing for the acquisition by the Purchaser of all of the outstanding membership interests of ILS (the "Acquisition"). ILS is a preclinical contract research organization offering a suite of toxicology testing solutions, including genetic toxicology, in vivo and in vitro toxicology, histology and pathology, molecular biology and bioinformatics and computational toxicology and data science services, to governmental and commercial clients. Consideration for the ILS membership interests consisted of $38,800 in cash (after giving effect to an adjustment for estimated net working capital), subject to certain adjustments and inclusive of a $3,800 escrow for purposes of securing any amounts payable by the selling parties on account of indemnification obligations under the Purchase Agreement, and 429,118 of the Company's common shares having a value of $18.0 million based on the volume weighted average closing price of Company shares as reported by NASDAQ for the twenty trading-day period ending on January 6, 2022. In order to fund a portion of the purchase price for the ILS Acquisition, on January 10, 2022, the Company borrowed the full amount of its existing $35,000 delayed draw term loan facility (the "DDTL") under the Credit Agreement, dated November 5, 2021, among the Company, certain subsidiaries of the Company (the "Subsidiary Guarantors"), the lenders party thereto and Jefferies Finance LLC as administrative agent (the "Credit Agreement").

On January 27, 2022, Inotiv, Inc., and Envigo Global Services Inc., a wholly owned subsidiary of the Company (the "Orient Purchaser"), entered into a Stock Purchase Agreement (the "Orient Purchase Agreement") with Orient Bio, Inc., a corporation formed in the Republic of Korea ("Orient Seller"), providing for the acquisition by the Purchaser of all of the outstanding capital stock of Orient BioResource Center, Inc. ("OBRC" and such acquisition, the "Orient Acquisition"). OBRC owns and operates a primate quarantine and holding facility located near Alice, Texas. The Orient Acquisition was consummated on January 27, 2022. Consideration for the OBRC stock consisted of $28,200 million in cash, subject to certain adjustments, and 677,339 of the Company's common shares having a value of $23.0 million based on the volume weighted average closing price of Company shares as reported by NASDAQ for the twenty trading-day period ending on January 24, 2022. As part of the purchase consideration, the Purchaser agreed to leave in place a payable owed by

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Results of Operations

The following table summarizes our condensed consolidated statement of operations as a percentage of total revenues for the periods shown:

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
Services revenue	45.3 %	95.2 %
Products revenue	54.7	4.8
Total revenue	100.0	100.0
Cost of services revenue [(a)]	63.4	68.1
Cost of products revenue [(a)]	88.4	48.2
Total cost of revenue	77.1	67.1
Operating expenses	62.9	32.8
Operating income (loss)	(40.0)	(32.8)
Other income (expense)	(74.3)	(1.9)
Income (loss) before income taxes	(114.3)	(34.7)
Income tax expense (benefit)	15.2	(0.2)
Consolidated net income (loss)	(99.1) %	(2.0) %

a) *Percentage of service and product revenues, respectively*

Three Months Ended December 31, 2021 Compared to Three Months Ended December 31, 2020

DSA and RMS Revenue

Total revenue increased 370.8% to $84,211 from $17,885 in Q1 FY 2021, driven by a $14,940 increase in DSA revenue and $51,386 of incremental RMS revenue. The acquisitions of HistoTox Labs, Bolder BioPATH, Gateway Pharmacology and Plato BioPharma added approximately $10,000 of service revenue and internal growth generated approximately $4,940 of service revenue in our DSA segment during Q1 FY 2022. Our acquisition of Envigo contributed $45,085 of product revenue and $6,301 of service revenue to our RMS segment during Q1 FY 2022. RMS revenue in Q1 FY 2022 reflected a partial quarter contribution from Envigo, which was acquired on November 5, 2021. We did not have any RMS revenue in the comparable prior year period.

Cost of Revenues

Cost of revenues for the three months ended December 31, 2021 was $64,886 or 77.1% of revenue, compared to $11,842, or 66.2% of revenue for the three months ended December 31, 2020.

Cost of service revenue as a percentage of Service revenue decreased to 63.4% during the three months ended December 31, 2021 from 68.1% in the three months ended December 31, 2020, reflecting greater utilization of recently expanded capacity.

Cost of products revenue as a percentage of Products revenue in the three months ended December 31, 2021 increased to 88.4% from 48.2% in the three months ended December 31, 2020 due to acquisition of Envigo whose products have a lower gross profit as a percent of revenue compared to the historic DSA product-based revenue.

Operating Expenses

Selling expenses for the three months ended December 31, 2021 increased 338.1% to $2,738 from $625 compared to the three months ended December 31, 2020. This increase is mainly due to an increase in travel expenses as our sales and marketing teams have begun traveling more as the COVID-19 pandemic eases and an increase in commissions due to higher sales awards.

General and administrative expenses for the three months ended December 31, 2021 increased 171.4% to $13,252 from $4,882 compared to the three months ended December 31, 2020, as the Company continued to build the infrastructure for growth, which included additional headcount, recruiting and relocation expense and higher compensation.